

INSTRUCTIONS  
FOR  
MONTHLY TREASURY INTERNATIONAL CAPITAL (TIC)  
FORM S AND MEMORANDUM  
PURCHASES AND SALES OF LONG-TERM SECURITIES  
BY FOREIGNERS

FEDERAL RESERVE SYSTEM  
FISCAL AGENT OF THE U.S. TREASURY

INSTRUCTIONS FOR THE PREPARATION OF THE TREASURY INTERNATIONAL  
CAPITAL (TIC) FORM S REPORT

MONTHLY REPORT OF PURCHASES AND SALES OF LONG-TERM SECURITIES BY  
FOREIGNERS

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AUTHORITY AND CONFIDENTIALITY STATEMENT

This report is required by law (22 U.S.C. 286f; 22 U.S.C. 3103; E.O. 10033; 31 C.F.R. 128.1 (a)). Failure to report can result in a civil penalty of not less than \$2,500 and not more than \$25,000. Willful failure to report can result in criminal prosecution and upon conviction a fine of not more than \$10,000; and if an individual, imprisonment for not more than one year, or both. Any officer, director, employee, or agent of any corporation who knowingly participates in such violation may, upon conviction, be punished by a like fine, imprisonment, or both (22 U.S.C. 3105 (a) and (b); 31 C.F.R. 128.4 (a) and (b)).

Data reported on this form will be held in confidence by the Department of the Treasury, the Board of Governors of the Federal Reserve System, and the Federal Reserve Banks acting as fiscal agents of the Treasury. The data reported by individual respondents will not be published or otherwise publicly disclosed; information may be given to other Federal agencies, insofar as authorized by applicable law (44 U.S.C. 3501 *et seq.*; 22 U.S.C. 3101 *et seq.*). Aggregate data derived from reports on this form may be published or otherwise publicly disclosed only in a manner, which will not reveal the amounts reported by any individual respondent.

GENERAL INSTRUCTIONS

A. PURPOSE AND NOTICE UNDER PAPERWORK REDUCTION ACT

The purpose of TIC Form S is to gather timely and reliable information from U.S. reporters on their monthly purchases and sales of long-term securities in transactions directly with foreigners. This information is needed for preparation of the financial accounts of the U.S. Balance of Payments and the international investment position of the United States, and the formulation of U.S. international financial policies.

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No person is required to respond to any U.S. government collection of information unless the form displays a currently valid control number assigned by the Office of Management and Budget (OMB). TIC form S has been reviewed and approved by OMB under control number 1505-0001.

The Treasury Department has estimated the average burden associated with the collection of information on each S form per respondent, but this will vary widely across reporting institutions: an overall average burden of six hours, based on ten hours for each major respondent and five hours for each other

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respondent. These estimates include the time it will take to read the instructions, gather the necessary facts and fill out the forms. Comments regarding the accuracy of this burden estimate and suggestions for reducing this burden should be directed to the Office of Program Services, U.S. Treasury Department, Washington, D.C. 20220, Attention International Portfolio Investment Data Systems; or the Office of Management and Budget, Paperwork Reduction Project (1505-0001), Washington, D.C. 20503.

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#### B. WHO MUST REPORT

*To minimize reporting burden and to allow for situations when an investor does not know the direct counterparty, data are collected from U.S. financial intermediaries.*

*U.S.-resident entities must file the TIC Form S report if reportable transactions meet or exceed the exemption level. Reportable transactions typically arise from the following roles:*

- 1. brokers and dealers (including inter-dealer brokers, prime brokers, and operators of electronic exchanges)*
- 2. security underwriters*
- 3. issuers of securities*
- 4. end investors*
- 5. fund managers (including funds, fund of funds, investment managers, and sub-advisors)*
- 6. custodians (including central securities depositories)*
- 7. paying agents*
- 8. electronic trading platforms*

*Please refer to the section on Reporting Responsibilities for detailed reporting guidance.*

#### C. CONSOLIDATION RULES/COMBINATION RULES

*U.S.-resident entities, that are not 50 percent or more owned by another U.S. resident company, including BHCs and FHCs, should include all reportable transactions for U.S.-resident parts of their organization, including U.S.-resident branches and subsidiaries. This includes all U.S.-resident parts except securities brokers and dealers and U.S.-resident depository institutions, which should submit separate reports that include their U.S.-resident offices and subsidiaries. For example, a U.S.-resident BHC which owns both a depository institution and securities broker/dealer should submit three separate reports, if each entity independently meets or exceeds the exemption level.*

*U.S. residents include entities located in the Commonwealth*

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Deleted: TIC form S must be filed by UNITED STATES residents who, during the reporting month, purchase or sell U.S. LONG-TERM SECURITIES directly from or to FOREIGNERS, and/or purchase or sell foreign LONG-TERM SECURITIES directly from or to FOREIGNERS, or have foreign agents purchase or sell these securities on their own behalf, or on behalf of customers (see section F - EXEMPTION LEVEL for more information). Potential reporting entities include:¶  
<#>Banking organizations, including commercial banks, bank holding companies (including financial holding companies), UNITED STATES branches and agencies of FOREIGN BANKS, trust companies, industrial banks, private or unincorporated banks, banking Edge Act and Agreement corporations, New York State Article XII corporations, mutual or stock savings or building and loan associations, cooperative banks, credit unions, homestead associations, and other similar depository institutions.¶  
<#>Nonbank holding companies.¶  
<#>Securities brokers and dealers.¶  
<#>Insurance companies.¶  
<#>Investment managers, including mutual fund and pension fund investment advisors or managers. (However, transactions in LONG-TERM SECURITIES held by a domestic trustee in personal trusts created by individuals are not reportable on this form.)¶  
<#>Industrial and commercial enterprises.¶  
<#>Other investors or nonbanking enterprises.¶  
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of Puerto Rico and the U.S. territories. Please see Appendix X for the complete definition of United States. It is the responsibility of the U.S. parent entity to ensure that its report includes transactions conducted by all applicable entities within its organization.

Securities transactions conducted by U.S.-resident trusts, Variable Interest Entities (VIEs) and Special Purpose Entities (SPEs) for which the TIC reporter is the trustee or primary beneficiary should be included. Likewise, transactions conducted by U.S.-resident funds for which the reporting entity acts a manager/administrator (such as managers of mutual funds and pension funds) should be included.

U.S. branches and agencies of a foreign bank located in the same state and within the same Federal Reserve District should submit a consolidated report for these offices. U.S. branches and agencies of a foreign bank that are located in either different states or different Federal Reserve Districts, should submit separate reports.

#### D. EXEMPTION LEVEL and REPORTING FREQUENCY

The TIC S Form exemption level is applied to the consolidated reportable transactions of the reporting entity using the consolidation rules above. An institution must file the TIC Form S monthly if the total reportable transactions in purchases or sales of long-term securities amount to \$50 million or more during the reporting month. If the level of transactions meet or exceed the exemption level in any month, reporting is required for the remainder of the calendar year regardless of the level of transactions in subsequent months; and for both purchases and sales even if only one meets or exceeds the exemption level.

#### E. ACCOUNTING RULES

Unless otherwise indicated TIC reports should be filed in accordance with U.S. generally accepted accounting principles (GAAP).

##### Transfer of Assets

A purchase or sale is the transfer of assets whereby the seller surrenders control over those securities to the buyer. The accounting and reporting standards for transfers of financial assets are set forth by U.S. GAAP (FASB Statement No. 140, Accounting for Transfers and

**Deleted:** Banks and other depository institutions with head offices in the UNITED STATES should report for all offices including INTERNATIONAL BANKING FACILITIES (IBFs) located in the UNITED STATES on a consolidated basis.¶ Bank holding companies should prepare consolidated reports for their own transactions and those of any non-banking SUBSIDIARIES, other than brokers and dealers and insurance underwriting entities who must report for themselves, as described below.¶ Brokers and dealers should prepare consolidated reports for all of their offices and SUBSIDIARIES located in the UNITED STATES excluding banking and insurance underwriting SUBSIDIARIES.¶ Banking Edge Act or Agreement corporations should file reports on the same basis as used for their Quarterly Condition Report (FR 2886b).¶ UNITED STATES branches and agencies of a FOREIGN BANK (including their IBFs) located in the same state and within the same Federal Reserve District should submit an aggregated report to the Federal Reserve Bank in whose District they operate. However, a FOREIGN BANK'S branches and agencies located in the same state but in different Federal Reserve Districts should report separately to their respective Reserve Bank.¶ Nonbanking companies should file a consolidated report for all their offices and SUBSIDIARIES located in the UNITED STATES other than brokers and dealers.¶ Insurance underwriting entities should prepare consolidated reports for all of their offices and SUBSIDIARIES located in the UNITED STATES excluding banking and broker and dealer SUBSIDIARIES.¶ Fund managers (e.g., managers of mutual funds, pension funds or limited partnerships) should include on a consolidated basis the reportable transactions of all the funds they manage.¶  
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“Servicing of Financial Assets and Extinguishments of Liabilities”, (FAS 140)).

### Report Gross Amounts

Report the gross amount of funds (or assets) transferred during the transaction. Thus, purchase amounts reported should reflect the cost of the securities acquired, including brokerage charges, taxes, and any other expenses incurred by the purchaser. Sales amounts reported should reflect the proceeds of the sales less brokerage commissions and other applicable charges.

For example, if a foreign resident located in France purchases a \$50 million U.S. Treasury note from a U.S.-resident broker/dealer, and the total cost to the foreign-resident is \$52 million (plus \$2 million for fees), the U.S.-resident broker/dealer should report \$52 million on TIC Form S opposite France in column 1 (Purchases of U.S. Treasury and Financing Bank Bonds and Notes). Conversely, if a foreign resident located in France sells a \$100 million U.S. Treasury note to a U.S.-resident broker/dealer and receives \$98 million from the sale (\$100 million less \$2 million in fees), the U.S.-resident broker/dealer should report \$98 million opposite France on TIC Form S in column 2 (Sales of U.S. Treasury and Financing Bank Bonds and Notes).

### Use Settlement Date Reporting

Data should be reported using settlement date accounting. Therefore, transactions should only be reported after securities are delivered to the purchaser and payment is received by the seller.

### Valuation Rules

Amounts reported should reflect the amounts transferred at time-of-settlement and should not be revalued to reflect price changes during the month. Payments denominated in foreign currencies should be converted to the U.S. dollar equivalent value using the spot exchange rate at the close of business on the day of settlement. Do not enter decimals or negative positions in any cell.

### F WHAT MUST BE REPORTED

Unless noted below, all transactions involving debt

**Deleted:** All amounts are reported gross at cost (including commissions and taxes) and should not be revalued for changes in prices over the month. The data are to be reported using SETTLEMENT DATE ACCOUNTING. Do not enter decimals or negative values in any cell. Securities denominated in FOREIGN (non-U.S.) currencies should be converted to U.S. dollar equivalents using the spot exchange rates at the close of business on the as-of date of the report.¶

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securities with original maturities exceeding one year and all *transactions involving equity securities undertaken directly with foreign residents* should be reported. *In addition, long-term securities received or delivered to settle derivatives contracts should be reported as purchases or sales by foreign residents.*

Transactions of the following items/types should not be reported:

1. *Short-term securities* (Bank holding companies, depository institutions and brokers and dealers report these on the TIC B-series forms and all other entities report these on TIC form CQ-1). *(In addition, these are also reported on the TIC SHC and TIC SHL forms).*
2. Certificates of deposit, bankers' acceptances, and participations in loans, regardless of maturity date. (Bank holding companies, depository institutions and brokers and dealers report these on the TIC B-series forms and all other entities report these on TIC form CQ-1). *(In addition, certificates of deposit, and bankers' acceptances are also reported on the TIC SHC and TIC SHL forms).*
3. *Derivative* contracts (including forward contracts to deliver securities). *(Reportable only on the TIC D form). However, long-term securities received or delivered to settle derivatives contracts should be reported as purchases or sales by foreign residents.*
4. Interest payments on securities and dividend distributions.
5. Securities taken in or lent as collateral, securities involved in *repurchase/resale* (reverse repurchase) *agreements* and security lending transactions. These transactions are considered borrowings collateralized by the underlying securities. Banks and broker/dealers should report the funds from these loans on the TIC B-series forms; other entities should report these on TIC form CQ-1.

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<#>Common and preferred stock¶  
<#>LONG-TERM U.S. TREASURY SECURITIES¶  
<#>LONG-TERM U.S. AGENCY SECURITIES¶  
<#>LONG-TERM obligations of state and local governments¶  
<#>LONG-TERM obligations of foreign governments¶  
<#>Investment company shares¶  
<#>Options and WARRANTS¶  
<#>Rights, scripts, bonds and debentures¶  
<#>Floating Rate Notes (FRNs)¶  
<#>Continually-Offered Medium-Term Notes (COLTS)¶  
<#>Collateralized Mortgage Obligations (CMOs)¶  
<#>Zero-coupon bonds and notes¶  
<#>Equipment trust certificates¶  
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<#><sp>American Depository Receipts (ADRs)¶  
<#>Limited partnership interests¶

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SHORT-TERM SECURITIES

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You must file a report if the total of your transactions directly with FOREIGNERS in purchases or sales of LONG-TERM

G. SUBMISSION OF REPORTS

TIC form S is due no later than 15 calendar days following the last calendar day of the month (as-of date). If the due date of the report falls on a weekend or holiday, form S is due the following business day.

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Depository institutions and bank holding companies should file their reports with the Federal Reserve Bank of the District in which they are located. All other entities should file their reports with the Federal Reserve Bank of New York, regardless of where they are located. *Reports can be submitted in the following manner:*

- *Electronically*
  - o *Data may be submitted electronically using the Federal Reserve System's Internet Electronic Submission (IESUB) system.*
  - o *For more information on IESUB, log on to [www.reportingandreserves.org/iesub.html](http://www.reportingandreserves.org/iesub.html) or call your Federal Reserve Bank contact for TIC reporting.*
  
- *Mail/Fax*
  - o *Reports filed with the Federal Reserve Bank of New York can be mailed to:*  
  
*Federal Reserve Bank of New York  
Statistics Function, 4<sup>th</sup> Floor  
33 Liberty Street  
New York, NY 10045-0001*  
  
*Or faxed to: 212 720-8028 or 212 720-8216*
  - o *To mail or fax reports with other Reserve Banks contact your local TIC reporting Federal Reserve Bank liaison for the appropriate information.*

*Data may also be reported on computer printouts in the same format as the printed reports. The Federal Reserve Bank to which the report is to be filed must approve proposed computer printouts in advance of the first submission.*

TIC Reporter ID Number

Each reporting entity has been assigned a "RSSD-ID" number by the Federal Reserve System. To ensure proper processing, this ID must be entered in the space provided on each form. If

you do not know your RSSD ID number, please call the Federal Reserve Bank where you submit your form.

#### H. HOW TO REPORT

The reporting of a *transaction (i.e., purchase or sale)* should be based on the viewpoint of the *foreign resident*. Purchases of *long-term securities* (for the reporters own account or for the account of *United States* customers) should be recorded as *sales* by a *foreign resident*; similarly, *sales of long-term securities* should be reported as *purchases* by a *foreign resident*.

Thus:

- *purchases of U.S. long-term securities by foreign residents should be reported as purchases in columns 1, 3, 5, or 7;*
- *sales of U.S. long-term securities by foreign residents should be reported as sales in columns 2, 4, 6, or 8;*
- *purchases of foreign long-term securities by U.S. residents should be reported as sales of foreign securities by foreign residents in columns 10 or 12; and*
- *sales of foreign long-term securities by U.S. residents should be reported as purchases of foreign securities by foreign residents in columns 9 or 11.*

#### I. DETERMINING RESIDENCY

##### 1. Determining the residence of TIC Reporters and TIC Reporters' consolidated entities

- Banks, BHCs, securities brokers and dealers, corporations and subsidiaries of corporations are residents of the country in which they are incorporated (not the country of the head office or primary operations).*
- Bank branches are residents of the country in which they are licensed (not the country of the head office).*
- Partnerships, trusts, and funds are residents of the country in which they are legally organized.*

##### 2. Determining the residence of a TIC Reporter's counterparties

Deleted: <#>ALTERNATIVE METHODS OF REPORTING¶ In lieu of reports on the printed Treasury International¶ Capital forms (which can be printed by the respondent from the TIC website at www.ustreas.gov/tic/), the data may be submitted electronically. For further information on electronic submission, reporters should contact the Federal Reserve Bank of the District in which their reports are filed.¶ Data may also be reported on computer printouts in the same format. Proposed computer printouts must be approved in writing by the Federal Reserve Bank of the District in which the reports are filed. Reports submitted on computer printouts must be signed by a responsible officer of the reporting institution.¶ REPORTING PURCHASES AND SALES

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<sp>the transferor is not under entitlement or obligation to repurchase or redeem the transferred assets (see SFAS 140).¶ LOCATION OF PURCHASER OR SELLER

a. International and Regional Organizations (see Appendix \_\_\_) are residents of the International and Regional Organizations areas, not the countries in which they are located.

Exceptions

Positions and transactions with the Bank for International Settlements (BIS), the European Central Bank (ECB), the Eastern Caribbean Central Bank (ECCB), the Bank of Central African States (BEAC), and the Central Bank of West African States (BCEAO), should each be reported opposite their name in the list of Foreign Economies and Organizations.

b. Partnerships, trusts, and funds are residents of the country in which they are legally organized. (For example, pension funds of International and Regional Organizations are residents of the country of residence of the pension fund.)

c. Banks, BHCs, FBOs, securities brokers and dealers, corporations and subsidiaries of corporations are residents of the country in which they are incorporated (not the country of the head office or primary operations).

d. Bank branches are residents of the country in which they are licensed (not the country of the head office).

e. Offices of foreign official institutions and embassies are residents of their parent country.

f. Individuals are residents of the country of their tax domicile.

J. REPORTABLE ITEMS

REPORTING OF NEW ISSUES

1. Public Offerings

2. Private Offerings

Any depository institution, broker or dealer, or other person resident in the United States, acting in its own behalf or on behalf of its customers as an intermediary should report the private placement of: (1) U.S. securities with foreign investors; or (2) foreign securities with

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United States investors.

REPORTING REDEMPTIONS OF SECURITIES

Called or matured securities and sinking fund redemptions of securities should be reported in the following manner (See the Reporting Responsibility section for detailed reporting guidance):

1. U.S. Securities

(a) Banks, other depository institutions, brokers and dealers, and other persons in the United States who present U.S. securities for redemption to a U.S. entity (ie., fiscal agent) on behalf of foreign residents should report these redemptions as sales by foreign residents.

(b) Banks, other depository institutions, brokers and dealers, and other persons resident in the United States presenting U.S. securities to a foreign entity (i.e., fiscal agent or paying agent) for their own account or for the account of their United States customers should report the redemption as purchases by foreign residents.

2. Foreign Securities

(a) Depository institutions, brokers and dealers, and other persons resident in the United States presenting foreign securities to a U.S. entity (i.e., fiscal agent) in their name, or in a nominee name, for foreign beneficiaries should report the redemption as sales by foreign residents.

(b) Depository institutions, brokers and dealers, and other persons resident in the United States presenting securities in their own name or for the account of their United States customers to a foreign entity (i.e., fiscal agent) should report the redemption as purchases by foreign residents.

REPORTING OF FUND SHARES

The determination of whether purchases or sales of fund shares are a U.S. security is based on the country, in which the fund is legally established, not based on the residence of the issuers of the securities the fund purchases. For example, if a foreign resident purchases or sells shares in

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- Deleted: <#><sp>Fiscal agents or paying agents located in the UNITED STATES should report securities issued by UNITED STATES residents and presented to them for redemption directly by FOREIGNERS (including their FOREIGN correspondents, branches or head offices outside the UNITED STATES), as sales by FOREIGNERS.¶
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a fund organized in the United States, these shares are reportable U.S. securities, regardless of whether or not the fund purchases foreign securities. Reportable fund shares transactions should be reported as domestic or foreign stocks.

In addition, the fund's purchases and sales to/from foreign-resident entities of the underlying securities for the fund's own portfolio are also reportable.

#### LIMITED PARTNERSHIPS

Transactions in foreign-resident limited partner ownership interests in U.S. resident limited partnerships and U.S. resident limited partner ownership interests in foreign-resident limited partnerships should be reported as stock. Limited partners' ownership interests do not carry voting rights; therefore, all ownership interests, even those greater than 10% are reportable.

General partnership ownership interests are always considered to be direct investments and should be excluded from this report.

#### DEPOSITARY RECEIPTS/SHARES

Depository receipts/shares, including American depository receipts (ADRs) or bearer depository receipts are certificates representing ownership of securities issued by foreign residents. Therefore, transactions of ADRs should be reported as purchases and sales of foreign stock if a U.S. entity purchases or sells ADRs to/from foreign-resident entities. In addition, purchases and sales of or instructions to purchase the underlying securities associated with the creation of ADRs from foreign-resident entities should be reported as purchases and sales of foreign stock.

#### K. IDENTIFYING COUNTERPARTY OR CUSTOMER

##### A. Unknown Counterparty or Customer

1. Exchanges - If a transaction is carried out on an exchange in a manner in which the counterparty is not known, the exchange is deemed the counterparty and as

such the residence of the exchange should be treated as the residence of the counterparty.

2. Foreign Fund Managers or Sub Advisors - If an end-investor or fund manager TIC reporter uses a foreign fund manager (or sub-advisor), the TIC reporter often will not know the counterparty or even the broker used. In that case, the foreign fund manager or sub-advisor is deemed the counterparty and as such the residence of the foreign fund manager or sub-advisor should be used as the residence of the counterparty.

#### B. Uncertain Counterparty or Customer

In a few cases, it may not be obvious which entity should be designated as the counterparty (or even a customer). Some common situations and rules to apply follow:

1. Intermediary - A third party (affiliated or unaffiliated) who assists in facilitating a transaction between two other parties. If primary and secondary market transactions involving long-term securities are conducted through an intermediary the counterparty is the intermediary even if the ultimate customer and its residence are known.
2. New Securities
  - (a) If a TIC reporter is a lead underwriter, the issuing company is a customer and the other members of the syndicate (and all direct purchasers of the security) are counterparties.
  - (b) If the TIC reporter is a non-lead member of an underwriting syndicate, the lead underwriter is the counterparty.
3. Redemptions - The counterparty is the issuer, if delivery is made directly to the issuer. Otherwise the counterparty is the paying agent (or other party to which delivery is made).
4. Depository Receipts - Depository receipts can be created or redeemed by placing an order for the underlying security with an (affiliated or unaffiliated) foreign entity (e.g., broker), with delivery of the underlying to be made to a foreign custodian. When this occurs, the foreign entity (not the depository) is the counterparty.

## **L. REPORTING RESPONSIBILITY**

### **A. U.S.-Resident Brokers and Dealers**

#### **1. Dealers**

Dealers are entities that acquire and take ownership of securities for resale. U.S.-resident dealers should report all transactions between their U.S. offices and foreign residents.

Security Owner - If no other broker is involved and the U.S.-resident broker does not know the identity of the entity acquiring/relinquishing ownership of the security, the U.S.-resident broker may treat an entity that does not take ownership of the security (such as a foreign-resident agent, investment manager, sub-advisor, trustee, settlement agent, or custodian) as the other counterparty to the transaction.

#### **2. Brokers**

Brokers are entities that arrange transactions between two parties. U.S.-resident brokers should report transactions they execute between:

- (a) their U.S.-resident clients (including their own U.S. offices) and foreign-resident brokers (or other foreign entities); and
- (b) their foreign-resident clients (including their own foreign offices) and U.S.-resident brokers (or other U.S. entities).

If a U.S.-resident prime broker is also involved in the transaction, then the U.S.-resident executing broker should not report the transaction. An executing broker is a broker that finalizes and processes a transaction on behalf of a broker dealer client.

#### **3. Prime Brokers**

Prime brokers are full service brokers that facilitate the clearance and settlement of securities. U.S.-resident prime brokers should report transactions with a foreign entity when:

(a) their foreign-resident clients (including their own foreign offices) employ a different U.S.- resident broker to execute the transaction; and

(b) their foreign-resident clients (including their own foreign offices) employ a foreign-resident broker to execute the transaction.

#### B. U.S.-Resident Underwriters

U.S.-residents that underwrite long-term securities have the following TIC S reporting requirements:

##### 1. Securities Issued by U.S.-Residents

The U.S.-resident lead underwriter should report as a purchase the amount taken by foreign- resident direct contacts opposite the country of the direct contact. The direct contact would be one of the following:

(a) Most commonly, the foreign-resident member(s) of an underwriting group.

(b) A foreign-resident broker or dealer (including an own foreign office).

(c) If none of the above exists, foreign-resident end-investor, stock exchange specialist, paying agent, fund or other foreign-resident entity that directly acquires ownership of the security from the U.S.-resident lead underwriter.

The U.S.-resident members of an underwriting group led by a U.S. resident underwriter should report as a foreign purchase the amount of the issue sold to their foreign-resident direct contacts.

U.S.-resident members of an underwriting group led by a foreign-resident underwriter should report : (1) as a sale the entire amount taken from the foreign-resident lead underwriter; and (2) as a purchase amounts sold to foreign residents.

##### 2. Securities Issued by Foreign Residents

The U.S.-resident lead underwriter of a foreign security should report as a sale the entire amount taken for distribution opposite the country of the foreign-resident issuer.

A U.S.-resident member of a foreign-led syndicate, including the U.S.-resident office of a foreign-resident lead underwriter, should report as a sale the entire amount it has taken for distribution in the United States, opposite the country of the foreign-resident lead underwriter (not the issuer).

In addition, if any U.S.-resident member of an underwriting group (U.S. led or foreign led) takes possession of a foreign security and sells it to a foreign resident, it should report as a purchase the amount sold to the foreign resident opposite the country of the foreign-resident direct contact. In this case, the direct contact would be one of the following:

- (a) The foreign-resident broker or dealer (including an own foreign office), which purchases the security.
- (b) The foreign-resident end-investor, stock exchange specialist, fund (or its investment manager), or other entity that directly acquires ownership of the security.

#### C. U.S.-Resident End-Investors

An end-investor is an entity that acquires or relinquishes securities for its own account.

The TIC S system is designed to minimize reporting by end-investors, by requiring that certain U.S.-resident financial intermediaries provide the majority of the reporting.

These intermediaries are brokers, dealers, investment managers, custodians, and paying agents.

##### 1. Purchases and Sales of Securities

U.S.-resident end-investors are required to report purchases and sales of securities if they deal "directly" with a foreign resident (i.e., they do not use a U.S.-resident broker or dealer (including an underwriter) or a U.S.-resident investment manager). Examples of the direct acquisition or sale of securities would include:

- a. The purchase or sale of a U.S. or foreign security (including a new issue) when the U.S.-

resident end-investor interacts directly with a foreign-resident securities broker or dealer, foreign-resident issuer, a foreign-resident underwriter, or another foreign-resident without the use of a U.S.-resident/foreign-resident broker, dealer, or investment manager.

All such transactions are reportable, including those initiated by a foreign-resident investment manager on behalf of a U.S.-resident end-investor.

## 2. Redemption of Securities

U.S.-resident end-investors are required to report redemptions of U.S. or foreign securities if they present securities directly to a foreign resident, but only if the security is not presented by a U.S.-resident custodian, through a U.S.-resident investment manager or a U.S.-resident broker.

### D. U.S.-Resident Paying Agents

A paying agent is an entity that is appointed by an issuer of securities, which makes payments of principal and interest on the issuer's behalf.

For TIC S reporting purposes, U.S.-resident paying agents should treat redemptions of securities as if they (a U.S. resident) acquired the security and then re-sold it to the issuer. U.S.-resident paying agents have the following two reporting responsibilities:

1. When a foreign resident presents a security (U.S.-issued or foreign-issued) for redemption, the U.S.-resident paying agent should report the event as a sale by a foreign resident. Often the paying agent will receive a security presented by a third party. If the paying agent knows the identity of the investor, the residence of the investor should determine whether the redemption should be reported. More commonly, the paying agent will not have this information and will have to determine residency based upon the residence of the third party.
2. When a U.S.-resident paying agent redeems a security issued by a foreign resident (a "foreign security"), the U.S.-resident paying agent should report a purchase by the foreign issuer of the entire amount the U.S.-resident paying agent has redeemed on the issuer's behalf.

#### E. U.S.-Resident Custodians

A custodian is an entity that safekeeps and delivers securities when instructed for an end-investor (including another unit of the same entity).

In general, U.S.-resident custodians do not report transactions on TIC S. The TIC S system is designed to minimize reporting by custodians by requiring that certain other financial intermediaries provide the majority of the reporting. These usually are brokers, dealers, issuers and paying agents.

Two exceptions are described below. In both cases, the reporting requirements are as if the U.S.-resident custodian took possession of the security, whether it actually does or not.

##### 1. Redemptions from the Accounts of U.S. Residents

U.S.-resident custodians that present securities for redemption to a foreign-resident intermediary such as a foreign-resident paying agent, foreign-resident broker, foreign-resident dealer or a foreign-resident issuer from the accounts of U.S. residents (including U.S.-resident custodians and sub-custodians) should report the redemptions.

##### 2. Redemptions from the Accounts of Foreign Residents

U.S.-resident custodians that present securities for redemption to a U.S.-resident financial intermediary such as a U.S.-resident paying agent, U.S.-resident broker, U.S.-resident dealer or a U.S.-resident issuer from the accounts of foreign residents (including foreign-resident custodians and sub-custodians) should report the redemptions, but only if the U.S.-resident custodian does "not fully disclose" the account holder.

To "not fully disclose" means that the U.S.-resident intermediary has not been provided with the identity of the foreign-resident account holder and therefore only knows an alias, omnibus account, or the U.S.-resident custodian's identity.

#### F. U.S.-Resident Fund Managers and Investment Managers

The purchase and sale of fund equity interests and the purchase and sale of long-term securities for a fund's or other customer's portfolio are both transactions which are potentially reportable on the TIC Form S.

The TIC S system is designed to minimize reporting by fund managers and investment managers by requiring that certain other financial intermediaries provide the majority of the reporting. These usually are brokers, dealers, issuers, custodians, and paying agents. TIC S reporting responsibilities are not affected by the fund manager's and investment manager's responsibility, or lack thereof, for making investment decisions.

#### 1. Purchases and Sales of Securities

U.S.-resident fund managers and investment managers should report all purchases and sales they make for the accounts of their U.S.-resident funds and other customers that are:

- (a) placed through a foreign-resident broker, dealer, or underwriter; or
- (b) conducted with a foreign resident, including foreign-resident fund managers, investment advisors, sub-advisors, and end-investors without the use of a U.S.-resident broker, dealer, or underwriter.

U.S.-resident fund managers and investment managers should also report purchases and sales made for the accounts of their foreign-resident funds and other customers that are placed through U.S.-resident brokers, dealers, or underwriters, if the identity of the account holder is "not fully disclosed" to the U.S.-resident broker, dealer or underwriter.

To "not fully disclose" means that the U.S.-resident broker, dealer, or underwriter has not been provided with the identity of the foreign-resident account holder and therefore only knows an alias, omnibus account, or the U.S.-resident fund manager's or investment manager's identity.

#### 2. Redemptions of Securities

U.S.-resident fund managers and investment managers should report all redemptions of securities from the accounts of their U.S.-resident customers that are presented to a foreign-resident intermediary such as a foreign-paying agent, foreign-resident broker, foreign-resident dealer or foreign-resident issuer without the use of a U.S.-resident custodian.

U.S.-resident fund managers and investment managers should also report redemptions from the accounts of their foreign-resident customers that are presented to a U.S.-resident intermediary such as a U.S.-resident paying agent, U.S.-resident broker, U.S.-resident dealer or U.S.-resident issuer, if the foreign-resident account holder is not fully disclosed.

#### G. U.S.-Resident Issuers of Securities

U.S. residents that issue long-term debt or equity securities (including limited partnership interests) have the following TIC S reporting requirements:

##### 1. Initial Offerings

Securities issued by a U.S.-resident entity that are purchased by foreign residents are generally reported by the U.S.-resident lead underwriter. However, U.S.-resident issuers of securities have TIC S reporting responsibilities in two cases:

- (a) If a foreign-resident lead underwriter is used (either as a sole lead or as a co-lead underwriter), the issuer should report, as a purchase by a foreign resident, all securities acquired by the foreign-resident lead underwriter.
- (b) If a U.S.-resident entity issues securities without an underwriter, the U.S.-resident issuer is required to report the dollar amount of the new issue acquired directly by foreign residents (including foreign-resident end-investors, foreign-resident securities depositories, foreign brokers, foreign dealers and foreign investment managers).

##### 2. Redemptions

U.S.-resident issuers are required to report redemptions of their securities only in two cases:

- (a) When a foreign-resident paying agent is used, a U.S.-resident issuer should report a "sale" of the securities by the foreign-resident paying agent, opposite the country of the foreign-resident paying agent.

(b) When no paying agent is used, the U.S.-resident issuer should report a "sale" of the securities directly by any foreign residents (including foreign-resident end-investors, custodians, securities depositories, brokers, dealers and investment managers) that present the securities directly to the U.S.-resident issuer for payment.

#### H. Electronic Trading Platforms

U.S. electronic trading platforms grant buyers and sellers access to shares that can be traded anonymously. U.S. electronic trading platforms should report transactions they arrange if one of the counterparties is a foreign resident and the other counterparty is a U.S.-resident (See A.2, Brokers, for additional detail). Reporting responsibility would still exist if the electronic trading platform acts as an agent routing transactions to foreign executing brokers or exchanges.

M. REVIEW OF DATA AND REQUEST FOR REVISED DATA

Data submitted on the Treasury International Capital forms are reviewed by Federal Reserve System staff. As a result of these review and editing procedures, the respondent may be asked by Reserve Bank staff to explain unusual changes or submit revisions as necessary.

DRAFT

SPECIFIC COLUMN INSTRUCTIONS

Securities should be classified in each column based on the type of security and whether it is a purchase by a *foreign resident* or a sale by a *foreign resident*.

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Purchases and Sales of Domestic Securities

Columns 1 and 2 -- Report purchases (column 1) and sales (column 2) by FOREIGNERS of *long-term* bonds and notes issued by the U.S. Department of the Treasury and the Federal Financing Bank (See glossary entry for U.S. *Treasury securities*). Include STRIPS, CATS, COUGARS, LIONS, TIGRS, and other instruments that are collateralized by U.S. Treasury issues.

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Columns 3 and 4 -- Report purchases (column 3) and sales (column 4) by FOREIGNERS of *long-term* bonds, notes, and debentures of agencies and corporations issued by the *United States* Government or Federally-Sponsored Agencies (See glossary entry for *United States Government Agency securities*).

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Deleted: UNITED STATES GOVERNMENT AGENCY SECURITIES

Columns 5 and 6 -- Report purchases (column 5) and sales (column 6) by FOREIGNERS of *long-term* debt obligations of U.S. states and municipalities and of private corporations located in the *United States*.

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Columns 7 and 8 -- Report purchases (column 7) and sales (column 8) by FOREIGNERS of equity, including *common stock*, *preferred stock* and *fund shares*, issued by entities *resident* in the *United States*.

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Purchases and Sales of Foreign Securities

Columns 9 and 10 -- Report purchases (column 9) and sales (column 10) by FOREIGNERS of long-term debt securities issued by *foreign governments*, international and regional organizations, *foreign official institutions*, and public and private corporations *resident* outside the *United States*.

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Columns 11 and 12 -- Report purchases (column 11) and sales (column 12) by *foreign residents* of equity issued by public and private corporations *resident* outside the *United States*. Include transactions evidenced by the issuance of, or surrender to, depositories of American Depository Receipts (.ADRs).

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*Of Which Item: Asset-Backed Securities (XXXX-X)*

*Report the portion of transactions in asset-backed securities (both mortgage-backed securities and all other asset-backed securities) reported in columns (3) through (6) and columns (9) and (10) in the "Grand Total 9999-6" row.*

INSTRUCTIONS FOR THE MEMORANDUM SECTION

Report in the Memorandum section that portion of the transactions in U.S. securities reported in columns (1) through (8) above undertaken for the accounts of *foreign official institutions* and for the accounts of international and regional organizations. The "List of Certain Foreign Institutions Classified as 'Official' For Purposes of Reporting on the Treasury International Capital (TIC) Forms" prepared by the Department of the Treasury should be used to determine the classification of *foreign* accounts (See Appendix II).

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Do not list the foreign official country code for which the transactions were effected unless the account has an assigned code number. Codes for the country or geographical area in which each *foreign official institution* should be reported are in the "Geographical Classification" contained in Appendix I. These are the same as the codes that appear on Form S, with the exception of the "Other" categories, such as "Other Europe," and the "International and Regional" categories. For countries or institutions within these categories, the more detailed codes contained in the "Geographical Classification" should be used.

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*Of Which FOI Item: Asset-Backed Securities (YYYY-Y)*

*Report the portion of transactions in asset-backed securities (both mortgage-backed securities and all other asset-backed securities) reported in columns (3) through (6) in the "Grand Total 9999-6" row above.*

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